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C O N F I D E N T I A L DJIBOUTI 001516

SIPDIS

TREASURY FOR OASIA/MDM (J. FRANCO); STATE FOR EB/IFD/OMA
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SUBJECT: DJIBOUTI: TRANSPARENCY OF BUDGETS/MILITARY SPENDING

REF: SECSTATE 239929

Classified By: Pol/Econ Erinn C. Reed for reasons 1.4 (b) and (d).

1A. General Overview of Auditing Procedures:

11. (U) Expenditures by the Djiboutian military are audited on a yearly basis by the Chambre des Comptes (the Public Accounts Auditing Board). The audit is limited to accounting books and other financial documents. Audits of military budgets are reported only to the President of the Republic, who is also the Supreme Commander of the military forces. The President is the only civilian authority that receives the audit of military expenditures.

12. (U) A standard procedure for conducting annual audits exists, though it is not mandated by government policy or legislation. Judges from the Chambres des Comptes work with the Administration and Finance Direction of the Armed Forces, Gendarmerie, and the police in reviewing the accounting books. No audit is done on military bank accounts of petty cash funds. The Republican Guard's budget comes directly from the Presidency and is not audited.

13. (U) The Minister of Finance is responsible for settling the military budget. The President finalizes the military budget with the advice of his Chief of Defense. All expenditures are co-signed by the Minister of Finance and the President's Chief of Defense. However he has little power to verify what funds in the military budget are spent on since the army budget is a discretionary power of the President.

14. (C) Comment: It is generally understood that the government is unwilling to be transparent in the creation and use of military budgets for what it describes as security reasons. The capacity to audit the military expenditures does exist within the framework of the Chambres des Comptes. However, due to the sensitive nature of military affairs in Djibouti, the annual review seems to be more a theoretical verification than an actual audit.

1B. The Military Budget and On-Budget and Off-Budget Revenues and Expenses:

15. (U) The military budget for 2004 totals 5.5 billion DF (30 million USD) and provides for the Armed Forces and the Gendarmerie. The National Police Force is funded from the budget for the Ministry of Interior. Off-budget receipts are not significant and are not audited.

1C. The Military Component of the National Budget:

16. (U) The military budget makes up 19.5 percent of the total government budget. The military budget is second largest portion of the total state budget. Education comprises the largest portion of the state budget. Due to the large budget given to the military, political leaders turn to the armed forces to back public services, such as emergency medical services, air transport of civilians without access to the capital, and high-speed military boats used for medical evacuations from the northern regions.

17. (U) The National Assembly devotes one of its two yearly sessions entirely to budgetary concerns. Debates on budget priorities are televised nationally. However, input from the Parliamentarians is rarely taken into consideration.

RAGSDALE